Tiffany (NJ) Inc. et al v. eBay Inc. Doc. 22

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

TIFFANY (NJ) INC. and TIFFANY AND COMPANY,

Plaintiffs,

v.

eBAY INC.,

Defendant.

04 Civ. 4607 (NRB)

REPLY BRIEF IN SUPPORT OF OF EBAY'S MOTION TO AMEND ITS ANSWER

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eBay Inc. ("eBay"), through its attorneys, Weil, Gotshal & Manges LLP, submits this Reply Brief in Support of its Motion to Amend its Answer, as well as the supporting Supplemental Declaration of R. Bruce Rich. By these papers, and eBay's Opening Brief and the declaration attached thereto, eBay respectfully requests that the Court permit eBay to amend its Answer to add an affirmative defense of unclean hands.

PRELIMINARY STATEMENT

Tiffany's documents and recent deposition testimony unambiguously demonstrate Tiffany's knowing practice of falsely communicating to eBay users, and the public at large, that the "only" source of "genuine Tiffany merchandise" is Tiffany outlets. In its Opposition, Tiffany makes little effort to support the literal truth of these assertions – as they are insupportable. Instead, Tiffany argues that these misrepresentations (1) are true in context, (2) were not prompted by bad faith, and (3) are unrelated to what it views as relevant issues in the instant case. Assertions 1 and 2 are fact-driven contentions, the merits of which must await the completion of discovery and a hearing on the merits. See, e.g., Estee Lauder, Inc. v. Fragrance Counter, Inc., 189 F.R.D. 269, 273 (S.D.N.Y. 1999). They do not form a basis for denying the instant motion to amend, which need only set forth a non-frivolous, cognizable defense. See Remee Prods. Corp. v. Sho-Me Power Elec. Co-op, No. 01 Civ. 5554(HB), 2002 WL 31323827, at *9 (S.D.N.Y. 2002). Assertion 3, as we discuss, is predicated on an unduly narrow conception of what constitutes the subject mater of this lawsuit. It is plain that eBay has asserted a viable unclean hands defense, warranting the grant of the instant motion to amend.

I. TIFFANY HAS ENGAGED IN INEQUITABLE CONDUCT

A. Tiffany's Misrepresentations Mean What They Say

It is undisputed that Tiffany has engaged in a pattern and practice of communicating to eBay users and the public at large that, unless they purchase Tiffany items directly from Tiffany, they are buying counterfeit merchandise. See, e.g., Rich Dec., Exhibit B & G. Ignoring the force of plain English language, Tiffany attempts to import the limitation of "new" merchandise into these statements, thereby bootstrapping itself into the assertion that the proper interpretation of the statements in issue is that buying from Tiffany is "the only way to ensure that jewelry advertised as 'new' is, in fact, authentic. . . ." See Opp. at 6. For at least three independent reasons, Tiffany's attempt to transform its false statements into true ones must fail.

First, the statements at issue, do not, on their face, refer solely to "new" merchandise. See, e.g., Rich Dec., Exhibit B at 43623 ("the only authentic [Tiffany] pieces come directly from a Tiffany & Co. Retail store location, catalog or via our internet ecommerce site (www.tiffany.com)."); id. at 154 ("If you have not purchased your inventory from a Tiffany & Co. Retail store or via our website (www.tiffany.com) then you have counterfeit merchandise."); id. at 39082 ("no one on e-Bay has our permission to sell merchandise"); see also Rich Dec., Exhibit G at eBay 110862 ("Genuine Tiffany & Co. merchandise is available only through TIFFANY & CO. stores and boutiques, TIFFANY & CO. catalogs and via the web at www.tiffany.com."). If Tiffany wanted to convey that its statements were intended to refer solely to "new" merchandise, Tiffany's executive, marketing and public relations personnel surely knew how to do so.

Second, Tiffany makes the factual argument that the context surrounding Tiffany's statements makes its new interpretation clear. It suffices for the purposes of this motion to state that this is disputed by eBay and will need to be resolved on a full record. In any event, Tiffany's contentions in this regard simply do not hold up. For instance, Tiffany states – in conclusory fashion – that it is "clear from the context of [Tiffany's About Me] page" that the representation therein refers to new merchandise only.[1] See Opp. at 7-8. However, Tiffany points to no text or graphic that so limits the website's broad representation that "[g]enuine Tiffany merchandise is available only though Tiffany & Co. stores and boutiques. . . ." See Rich Dec., Exhibit G at 110862. Nor does Tiffany even attempt to argue that context cures Tiffany's statement in its Bazaar magazine ad, which consists of nothing but a picture of a Tiffany necklace and the phrase "True Blue: Genuine Tiffany merchandise is available only through Tiffany & Co. stores and boutiques, Tiffany & Co. catalogues and Tiffany.com." See Rich Dec., Exhibit G. Moreover, much of Tiffany's email correspondence with eBay users concerning the singular source of "genuine" Tiffany merchandise is attached to eBay screen print-outs containing auction titles, many of which provide no indication that the merchandise at issue was advertised as "new."[2] See, e.g., Suppl. Rich Dec., Exhibit 1 at 3576-81. And, in cases where

[1] Tiffany also argues that, by not complaining earlier, eBay somehow waived its right to object to the false statement contained in Tiffany's "About Me" page. See Opp. at 8. However, Tiffany points to no evidence that eBay approved – or was even aware – of the content of this webpage prior to the commencement of suit. Cf. Six West Retail Acquisition, Inc. v. Sony Theatre Management Corp., No. 97 Civ. 5499 (LAP), 2004 WL 691680, at *13 (S.D.N.Y. March 31, 2004) (party waives objection to assignment by accepting payments from assignee for eleven years). Moreover, eBay is not obligated to police the content of rights owners "About Me" pages. See Blumenthal v. Drudge, 992 F.Supp. 44, 49-53 (D.D.C. 1998); see also Suppl. Rich Dec., Exhibit 4 ("rights owners are solely responsible for the content" of their "About Me" page).

[2] In connection with its emails to eBay users, Tiffany also argues that it "expressly acknowledged the ability to sell used jewelry on eBay, when it told various individuals that they could sell the purported Tiffany pieces on eBay if they had proof of purchase from Tiffany." See

only certain of a seller's Tiffany auctions are titled as "new," Tiffany does not differentiate between the different listings in its statements. See, e.g., Suppl. Rich Dec., Exhibit 1 at 11953-11960 (containing the listings associated with correspondence included as Rich Dec., Exhibit B at 43623-24).

Third, Tiffany's statements are false even with respect to "new" Tiffany merchandise. In communicating with eBay users, Tiffany states that it has "no trade accounts, outside retailers, wholesalers, or suppliers." See Suppl. Rich Dec., Exhibit 2 at 5204. However, according to Tiffany's most recent 10-K filings with the SEC, Tiffany sells its merchandise to numerous foreign retailers. See, e.g., Rich Dec., Exhibit L at 10. These retailers are clearly authorized to resell genuine "new" merchandise to consumers, including the eBay users who receive Tiffany's emails, consult Tiffany's "About Me" webpage and view Tiffany's magazine advertisements.

B. To The Extent Relevant, Tiffany's Conduct Was In Bad Faith

The parties agree that to assert a defense of unclean hands, eBay must show (1) inequitable conduct on Tiffany's part, (2) that is related to the subject matter of the infringement suit. Compare Opening Br. at 8, with Opp. at 3. Tiffany goes on to engraft a purported third prong to this showing: that "Tiffany had an improper purpose" in its communications. See Opp. at 10 (emphasis added). Although eBay disputes that "improper purpose" rises to the level of a

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Opp. at 5. Although eBay has no objection to Tiffany requesting proof of purchase from an eBay seller in circumstances where Tiffany already has a good faith belief that the seller's listing contains counterfeit merchandise, a seller's failure to have a Tiffany receipt does not mean his or her items are counterfeit. Indeed, Tiffany's own Archivist testified that, in most cases, items for sale on eBay are not held by the original owner, making it "impossible" for an eBay seller to provide proof of purchase from Tiffany. See Suppl. Rich Decl., Exhibit 3, Sandecki Tr. at 36.

separate element to be proven,[3] it is evident that if, as eBay contends, Tiffany has facially misrepresented the channels of distribution though which "genuine" Tiffany merchandise is available for resale, it has not done so innocently. Tiffany knows full well that it is not illegal to sell Tiffany jewelry in the secondary market. See Rich Dec., Exhibit E at 1711, 32110; Rich Dec., Exhibit K, Zalewska Tr. at 55-57; Opp. at 2. That it apparently wants the buying public to believe otherwise, to Tiffany's potential competitive advantage, more than meets any bad faith requirement here.

II. TIFFANY'S MISREPRESENTATIONS RELATE DIRECTLY TO THE TRADEMARK RIGHTS AT ISSUE IN THIS LITIGATION

Tiffany's argument that eBay's motion to amend should be denied because Tiffany's alleged inequitable conduct is "not related to the validity of Tiffany's name and mark or to stop the sale of counterfeit goods," (see Opp. at 11), reflects a fundamental misconception of the relatedness requirement. The precedents cited by both parties provide the same articulation of the relatedness requirement – in order to assert unclean hands, the plaintiff's inequitable conduct must be related to the "subject matter" of the infringement suit. See Opening Br. at 8; Opp. at 3. The subject matter of the present suit is not, as Tiffany suggests, confined narrowly to issues concerning the validity of Tiffany's name and mark or Tiffany's stated interest in "stopping the sale of counterfeit goods."

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[3] Indeed, courts appear to consider evidence of "bad faith" as one of a number of equitable considerations, each of which is relevant to – but not conclusive of – the inequitable conduct prong of unclean hands. See Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery, 324 U.S. 806, 814 (1945) ("Any willful act concerning the cause of action which rightfully can be said to transgress equitable standards of conduct is sufficient cause for the invocation of the maxim [of unclean hands]. . .") (emphasis added); see also Performance Unlimited, Inc., v. Questar Publishers, Inc., 52 F.3d 1373, 1383 (6th Cir. 1995) ("unclean hands may be employed by a court to deny injunctive relief where the party applying for such relief is guilty of conduct involving fraud, deceit, unconscionability, or bad faith") (emphasis added).

Rather, the "subject matter" of the present suit encompasses issues such as the ability, respectively of Tiffany and eBay, to identify counterfeit merchandise (see Complaint at ¶ 35); an evaluation of Tiffany's assertions that an overwhelming percentage of the Tiffany merchandise offered for sale via eBay is counterfeit (see Complaint at ¶ 17, 22); and assessment of Tiffany's claims that the sale on eBay of alleged counterfeit goods bearing the Tiffany marks causes "confusion" of the trade and public (see Complaint at ¶ 36). Each of these issues is colored by Tiffany's own public pronouncements as to what constitutes "genuine" Tiffany merchandise. Accordingly, Tiffany's misrepresentations go to the heart of the very issues articulated in Tiffany's Complaint, and provide clear and cognizable grounds for eBay's assertion of an unclean hands defense.

CONCLUSION

For the foregoing reasons, eBay respectfully requests that the Court grant its Motion to Amend its Answer to add an affirmative defense of unclean hands.

Dated: New York, New York
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